

THE AGRICULTURAL SITUATION.

A BRIEF SUMMARY OF ECONOMIC CONDITIONS

ISSUED MONTHLY FOR EXTENSION WORKERS AND THE STAFF BY THE BUREAU OF
AGRICULTURAL ECONOMICS, U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C.

Date: 11/2, 1922

Mimeographed: 3395 Copies.

November 1, 1922.

Vol. II, No. 5.

SITUATION LITTLE CHANGED

These are the times that try men's efficiency. Farmers who have been lucky enough to acquire a new dollar for an old this summer have done it by efficient production, - not by strikes, not by rise in land values. The farmer has added to his stout old formula of hard work and frugal living a productive genius that is a national asset in times like these. The full larder is a great antidote for an empty coal bin.

There are still some corn, cotton, sugar beets and a few other things to be gathered, but in the main the harvest is over. Fall grain has been practically all seeded and is up to a fair stand over the eastern wheat territory. Corn husking, plowing, and general fall work have made good progress. The pasture season now ends over much of the country and feeding begins. Movement of stocker and feeder cattle, as well as of feedable crops suggests that the country may be again starting to build up its reserve of animals. Meat animals are the natural reservoir in which crops of surplus years are carried forward.

The money crops - wheat, cotton, potatoes, etc., already fill the channels of trade. Railroad congestion has been a serious brake on movements lately. Which is a reminder that while freight rates are of great importance to farmers, a primary issue, after all, is adequate transportation.

The wage situation looms up. Urban industry has found it profitable to begin some bidding for labor. Wages, like prices, are out of balance. They are based on vital replenishment of goods, not yet on normal growth. Wages in agriculture have been unable to keep up. They are relatively low. The farmer suffers thereby, for the bulk of farm work is done by himself and family. The question is, does the leveling up of wages mean an unusual movement from farm to town?

As for the fundamental situation, it has not changed much in a month. Present prosperity is still mainly an urban prosperity. What hurts the farmer is that his careful efficiency and hard work have counted so little in bridging the disparity between his own returns and the prices and charges demanded by urban industry. This disparity persists and it is serious.

REGIONS AT A GLANCE

THE EAST - Milk prices advancing as usual in fall, but feed prices also higher. Potato growers thoroughly pessimistic; selling at 25¢ to 40¢ a bushel at the car; potatoes rotting considerably. Apple market sluggish. Poultry men apparently feeling better than dairy or fruit men.

COTTON BELT - Weather favorable to picking, and harvest unusually advanced. Crop came to market very rapidly early in month in order to raise cash. South showing some beneficial effects of new crop money.

CORN BELT - Harvest well along. Crop hurt in some sections by drought. Corn husking in progress. More hogs on feed than last year. Cattle market somewhat encouraging. Winter grain up and generally good stands. In general, corn belt men appear to feel a trifle more cheerful than last fall.

WHEAT BELT - Somewhat over half the current crop now out of farmers' hands, - all went at prices below last year's. Fall seeding mainly done. Wheat up and stands look good over much of the territory east of Central Kansas. Western belt been very dry. Wheat growers, on the whole, in none too good shape.

RANGE COUNTRY - Very dry. Southwestern States in especially bad shape - feed scarce, water scanty, some stock in critical condition.

PACIFIC COAST - Fruit crops still suffering from car shortage. Good rains in North helped crops. Wheat growers not feeling very good at this year's outcome. Stock men more optimistic.

CONDITIONS IN THE NORTHWEST

The farmers in many sections of the Northwest have been up against it for five years. The crops failed. Meanwhile, men were slipping deeper into debt. The United States Government advanced money in this region for seed grain both last year and the year before.

Mr. L. M. Estabrook, Associate Chief of this Bureau, has just been in the region, in connection with the administration of these seed loans. His observations throw light on what it means for a farmer trying to pay debts this year to be dependent on wheat or potatoes for income. The following is quoted from a communication from Mr. Estabrook under date of October 28:

"From the Dakotas west to eastern Washington a succession of dry years and crop failures have worked untold hardship on the farmers and their families. In many counties they have lived on hope and mortgaged all they possess for seed, feed and supplies. The State and county governments, local banks and loan agencies have gone the limit in financing the farmers. The Federal Government has loaned nearly $3\frac{1}{2}$ million dollars for the purchase of seed the last two years. Only about \$700,000 of the 1921 seed loans were repaid from the crop of that year.

"This year the crops in the Northwest were generally good, but prices are ruinously low. Elevators are congested with grain and cars cannot be had. The price of wheat is low, less than 70 cents at local shipping points.

"The high price of potatoes last winter led farmers to plant heavily this spring, many of them planting in blocks of 100 acres or more. Yields were good, averaging in the Red River Valley as high as 100 bushels per acre.

"At present there is no market for potatoes at any price. Warehouses are full and there are no cars. Freight rates are high and prices are purely nominal, running as low as 16 and 17 cents a bushel at station. This will not cover cost of digging, sacking and hauling. Many farmers have passed the word around that anyone may have potatoes for the digging. It is reported that many others plan to sow rye in their potato fields without digging. All this means tremendous loss to the farmers who are deeply in debt."

PRODUCTS AT A GLANCE

COTTON - The census report issued October 25 of cotton ginned prior to October 13 showed 6,962,034 bales as compared with 5,497,364 bales ginned to same date last year. On the strength of this report, cotton advanced to the highest price of the year 23.66 cents per pound. Causes contributing to the rise are, the rapid and sustained advances in American dry goods market, increase in exports of cotton, and an active demand for spot cotton.

While the total crop for this year is apparently around 10,000,000 bales, consumption is said to be running at the rate of 12,000,000 bales or over. If consumption continues as at present the surplus of American cotton will run very low before next year's crop reaches market, and spinners view the situation with apprehension. (From W. R. Meadows, Division of Cotton Marketing.)

WHEAT - Europe will have to buy 230,000,000 bushels more wheat this year than last if she makes up her deficiency in production. This situation is slightly modified by a potato production 1,500,000,000 bushels greater than last year.

World stocks of wheat on hand are a little short of last year (45,000,000 bushels less).

The United States has a crop about 24,000,000 bushels greater than last year, with an exportable surplus estimated at from 225,000,000 to 260,000,000 bushels. The Canadian crop is officially estimated at 88,000,000 bushels and unofficially at 100,000,000 bushels more than last year, with from 225,000,000 bushels to 250,000,000 bushels available for export. India has a 111,000,000 bushel greater crop than last year, which brings her out of the importing group into the exporting. Australia has sown some 10% greater area of wheat than last year, and Argentina about 12% greater area. The crop looks good in both latter countries.

Any improvement in European economic conditions or developments tending to reduce crops in the southern hemisphere would be likely to strengthen the market for American wheat. (From Division of Statistical and Historical Research.)

POTATOES - Although estimated potato production is the largest since 1917 the movement of the main crop to market up to October 21 was 13,000 cars less than for same period last year, out 5,000 cars larger than for same period in 1920. Marketing has been retarded by low prices and by car shortage, especially in the far West. Demand has been slow and prices depressed at shipping points, dealers not being disposed to buy heavily for storage. Prices in city markets have ranged at about one-half the level of a year ago and rather less than half the corresponding prices two years ago. (From G. B. Fiske, Fruit and Vegetable Division.)

APPLES - Shipments from the boxed apple sections are only about one-half those to October 22 last year but combined box and barrel shipments are 4,000 cars heavier. Prices in city markets have ranged about one-half those of early 1921 and box apple about 50% lower.

Apples compared with other crops seem to be selling at comparatively good prices for a full crop year. Standard grades, like A 2-1/2 Baldwins are bringing \$3.75 a barrel in Michigan, and \$3.50 in New York and New England producing sections. The quality of the crop, the country over, seems rather ordinary except in the best orchards. No. 2 sell about \$1 lower than the best grade. Cider stock averages about 40¢ per 100 lbs., in the East and canning stock about \$1. Buyers have not taken hold of the winter crop with much zeal, but prices at eastern shipping points are rather firm. Shortage of cars check shipments in some places. City prices of leading winter kinds range from \$3.50 to \$5 per barrel. Boxed apples at western shipping points bring \$1.25 to \$1.50 for top grades of standard table kinds, like Jonathans. A few fancy kinds, like Delicious sell higher. The winter apples so far are doing better in the markets than the fall kinds have done. (From G. B. Fiske, Fruit and Vegetable Division.)

LIVESTOCK - During the first three weeks of October receipts of cattle and calves increased 348,000 head, or nearly 34% and those of hogs, 191,000 head, or approximately 16%. As has been the case for several months past, sheep and lambs decreased, the decline during the three amounting to nearly 9,000 head, or .7%. The most striking increase, however, occurred in movements of stocker and feeder animals back to the country. Such shipments from 12 important markets up to October 20 showed increases ranging from 41% on cattle and calves to 110% on hogs. It is noteworthy that in the case of sheep and lambs despite a decrease of approximately 9,000 head in receipts, there was an increase of 135,000 head, or 47% in feeder shipments. There were rather marked increases in slaughter of cattle and hogs but a striking decrease in sheep and lamb slaughter, compared with a year ago.

The trend of cattle prices was sharply upward during the month. Best beef steers at Chicago touched \$13.50 during the week ended October 21. This was the highest price reached in more than two years. The bulk of beef steers at the same market averaged \$10.05 per 100 pounds, which was the highest average price since the last week of November, 1920. Demand for stocker and feeder cattle was insistent throughout the month and for the week ended October 21 the average price for such animals stood at \$7 per 100 pounds, which was the highest since the second week of last June. Sheep and lamb prices were fairly steady throughout the month with the average about the same as for September. Feeding lambs were in active demand throughout the month.

Hog prices worked gradually lower, the net decline for the first twenty-five days amounting to about \$1 per 100 pounds. On October 25 top hogs at Chicago were quotable at \$9.40 compared with a top of \$10.45 on October 2. Such a decline is not surprising when the season of the year and increased receipts are taken into account. (From C. E. Gibbons, Livestock, Meats and Wool Division.)

CROP PRODUCTION

The following shows production of important crops in 1913, during "Wartime" period, last year, and estimates for this year. These are the compilations of the Division of Crop and Live-Stock Estimates, of this Bureau.

Figures given in millions, that is, six ciphers omitted.

Crop	1913 Production	1916-1920 Average	1921 Production	1922 Oct. 1 Estimate	Trend this year
Wheat, bu.					
Winter	523	566	587	542	
Spring	240	233	203	268	
All	763	799	795	810	- - - - Some increase
Corn, bu.	2,447	2,831	3,080	2,853	- - - - Some decrease
Oats, bu.	1,122	1,413	1,061	1,230	
Barley, bu.	178	197	151	196	
Rye, bu.	41.4	67.8	57.9	79.6	
Potatoes, bu.					
White	331	373	347	433	- - - - Heavy increase
Sweet	59	88.8	98.7	105	
Tobacco, lbs.	954	1,378	1,075	1,355	- - - - Increase
Beans, bu.	13.3	9.12	13.0		
Rice, bu.	25.7	41.7	36.5	39.2	
Cotton, bales	14.1	11.9	3.0	10.1	- - - - Some increase
Apples					
Total, bu.	145	179	98.1	204	- - - - Heavy increase
Commercial, bbl.	---	26.8	21.2	36.1	
Sugar beets, tons	---	6.62	7.78	5.07	

Composite condition of all crops October 1 (or time of harvest)
 1.4% lower than ten-year average that date. Index of aggregate crop
 production 7.2% above last year. Total acreage cultivated crops .3%
 below last year.

AVERAGE PRICES, AT THE FARM, OF REPRESENTATIVE PRODUCTS
Month Ending October 1, 1922

POTATOES DOWN. OTHER PRICES FAIRLY STABLE.

Actual prices received at the farm by producers. Average of reports covering the United States weighted according to relative importance of county and State. Figures compiled by Division of Crop and Live-Stock Estimates of this Bureau. Quotations in dollars or cents.

Shows 1913, year ago, and latest available month.

	Sept. 1913	Sept. 1921	Aug. 1922	Sept. 1922
Cotton, per lb.	¢ 13.3	19.8	21.1	20.0
Corn, per bu.	¢ 75.3	51.0	62.7	61.6
Wheat, per bu.	¢ 77.9	105.6	88.1	90.4
Hay, per ton	\$ 11.45	11.36	10.58	10.78
Potatoes, per bu.	¢ 73.9	137.6	83.0	69.6
Beef cattle, per 100 lbs.	\$ 5.92	4.98	5.51	5.44
Hogs, per 100 lbs.	\$ 7.68	7.51	3.54	8.23
Eggs, per dozen	¢ 23.4	34.2	22.7	30.5
Butter, per lb.	¢ 27.5	38.2	33.5	36.2
Wool, per lb.	¢ 15.8	15.5	31.6	31.6

Cotton prices dropped off a little with new cotton coming to market. They have since recovered, however.

Potato prices dropped to levels very discouraging to producers.

Egg prices stiffened up as they do when hens begin to moult; and butter prices as they tend to, toward the close of pasture season.

In general, prices of important farm products approached harvest period on a fairly well stabilized basis. Potatoes were the exception, (the anticipated potato crop being an exceptionally large one).

PRICE INDEXES FOR MONTH ENDING OCTOBER 1

1913 = 100

Farm products figures from this Bureau; commodity groups from Bureau of Labor Statistics. Shows year ago, low point (December, 1921), and latest available month:

Farm Products
(Prices at the farm)

	<u>Sept.</u> <u>1921</u>	<u>Dec.</u> <u>1921</u>	<u>Aug.</u> <u>1922</u>	<u>Sept.</u> <u>1922</u>	<u>Month</u> <u>Trend</u>
Cotton	107	130	170	161	Lower
Corn	127	72	105	104	
Wheat	99	118	112	115	
Hay	104	110	96	98	
Potatoes	115	173	137	108	Much lower
Beef cattle	100	78	93	92	
Hogs	102	89	114	110	
Eggs	121	265	118	156	Considerably higher
Butter	102	152	124	134	Higher
Wool	95	101	189	188	

Commodity Groups
(Wholesale Prices)

	<u>Sept.</u> <u>1921</u>	<u>Dec.</u> <u>1921</u>	<u>Aug.</u> <u>1922</u>	<u>Sept.</u> <u>1922</u>	<u>Month</u> <u>Trend</u>
Farm products	124	113	131	133	Slightly higher
Food, etc.	142	139	138	138	
Cloths & clothing	178	185	181	183	
Fuel & lighting	181	187	271	244	(Bit. coal & coke lower)
Metals & met. products	116	119	126	134	Higher
Bldg. materials	156	203	172	180	Higher
Chemicals, etc.	131	161	122	124	
House-furnishing goods	179	218	173	173	
<u>All commodities</u>	141	149	155	153	<u>Slightly lower</u>

RELATIVE PURCHASING POWER

(At September 1922 Farm Prices)

1913 = 100

Of a Unit of:

<u>In terms of:</u>	<u>Cotton</u>	<u>Corn</u>	<u>Wheat</u>	<u>Hay</u>	<u>Potatoes</u>
All commodities	105	68	75	64	71
Cloths, etc.	38	57	63	54	59
Fuel, etc.	66	43	47	40	44
Metals, etc.	120	78	86	73	81
Bldg. materials	89	58	64	54	60
House-furnishing goods	93	60	66	57	62

	<u>Beef cattle</u>	<u>Swine</u>	<u>Eggs</u>	<u>Butter</u>	<u>Wool</u>
All commodities	60	72	102	88	122
Cloths, etc.	50	60	85	73	102
Fuel, etc.	38	45	64	55	77
Metals, etc.	69	82	116	100	140
Bldg. materials	51	61	87	74	104
House-furnishing goods	53	64	90	77	108

The purchasing power indexes during September did not change materially from the previous month.

The general index of purchasing power of farm products in terms of other commodities, as worked out by this Bureau, stood at 64 for September, compared with 64 in August, 69 in July, 72 in June.

Prices of farm products declined slightly at the farm while rising slightly in the wholesale markets. However, the slight decline in the fuel group served to keep the farm product purchasing power index from falling below its August figure.

SIGNIFICANT MOVEMENT OF FARM PRODUCTS

Figures show corn, hogs, cattle receipts at primary markets; butter receipts at 5 markets; wheat (including flour) and cotton exports. All figures given to nearest thousand.

Month	CORN Receipts		HOGS Receipts	CATTLE Receipts	BUTTER Receipts	WHEAT Exports		COTTON Exports	
	Th.	Bu.	Thousands	Thousands	Th. lbs.	Th.	Bu.	Th.	Bu.
1921. Sept.	36,561		2,655	1,906	50,546	38,950		533	
1922 Jan.	52,097		4,278	1,628	41,697	14,985		475	
" Feb.	58,330		3,612	1,416	38,894	10,991		338	
" Mar.	31,035		3,411	1,622	44,919	14,371		461	
" Apr.	14,552		3,067	1,470	42,694	10,244		612	
" May	27,083		3,737	1,878	68,893	14,267		469	
" June	31,157		3,776	1,759	93,139	18,200		491	
" July	25,975		2,980	1,709	92,829	19,098		374	
" Aug.	24,380		3,037	2,149	62,494	38,964		273	
" SEPT.	35,296		3,062	2,373	46,419	31,839		369	

Corn movement under way. A little less than last year.

Hog movement heavier than last year, and considerably heavier than same month in pre-war years. September used to be the period of lightest market movement.

Cattle receipts increased somewhat in month. Less than September last year, but about same as in 1920.

Butter receipts show a heavy seasonal decrease.

Wheat exports, and more especially cotton exports, are not very large for the time of year. Cotton exports increased in August, however.

THE COLD STORAGE SITUATION

BUTTER AND EGGS DECREASE. BEEF AND MUTTON INCREASE

October 1 Holdings (Figures show nearest thousand)

<u>Commodity</u>	<u>Oct. 1 5 Year Average</u>	<u>Oct. 1, 1921</u>	<u>Oct. 1, 1922</u>
Creamery butter, lbs.	104,471	90,116	96,366
American cheese, lbs.	62,853	45,163	49,455
Case eggs, cases	5,926	6,269	7,868
Total poultry, lbs.	31,116	25,602	25,883
Total beef, lbs.	143,019	59,822	53,566
Total pork, lbs.	559,097	471,901	489,514
Lard, lbs.	86,231	85,115	75,631
Lamb & mutton, lbs.	9,536	5,993	3,539

This is the season when we begin to draw on stored stocks of butter and eggs.

Creamery butter stocks decreased rather heavily during September and are lower than usual.

Eggs also decreased, but there is still a heavy stock in storage.

Beef and mutton increased slightly. Pork decreased. Meat stocks are all much below average.

GENERAL BUSINESS INDICATORS
RELATED TO AGRICULTURE

	1921 Sept.	1922 Aug.	1922 Sept.	Month's Trend
<u>Production</u>				
Steel ingots (Thou. tons)	1,343	2,532	2,714	Slight increase
Bituminous coal (Thou. tons)	35,127	25,800	40,964	Increase
Cement (Thou. barrels)	10,027	11,664	11,424	Slight decrease
Automobiles shipped (Thou. carloads)	19	32	26	Seasonal decreases
<u>Consumption</u>				
Cotton by mills (Thou. bales)	434	527	495	Some decrease
Unfilled orders Steel Corp. (Thou. T.)	4,561	5,950	6,692	Increase
Building contracts (Millions dollars)	246	322	271	Seasonal decreases
Hogs slaughtered (Thousands)	1,697	1,976	1,917	About same
<u>Movements</u>				
Bank clearings (Billions dollars)	27	29	30	Increase
Car loadings (Weekly av., Thousands)	840	895	936	Increase
Mail order sales (Thou. dollars)	21,163	17,709	21,464	Increase
Exports (Millions dollars)	324	302	317	
Imports (Millions dollars)	179	271	232	
Wholesale Price Index (Dept. Labor)	141	155	153	Slightly lower
Unemployment in Pa. (Thousands)	282	82	56	Improved

Business shows considerable activity, notwithstanding some falling off in certain lines, natural at this time of year.

Four years ago we emerged from the war, barren of new buildings, railway equipment, automobiles, and textiles. It appears now that the replenishment of those things can still bring great activity to certain lines of industry, with prices strong and employers bidding for labor.

What business will look like when the war vacuum is filled and production readjusts itself to a basis of normal growth, and of rural as well as urban purchasing power, - remains to be seen.

TREND OF WAGES

RECORD OF WAGES IN CHICAGO, PITTSBURGH, KANSAS CITY, AND RAILROAD EMPLOYEES

	Carpenters (Chicago)	Machinists (Chicago)	Painters (Pittsburgh)	Hod Carriers (Kansas City)	Railroad Employees	Farm Labor
1913	65¢	39	55¢	37-1/2¢	\$800*	\$30
1914	65	42	56	37-1/2	---	30
1915	65	42	58	45	811	30
1916	70	47	58	45	868	33
1917	70	55	65	47-1/2	981	40
1918	70	65	67-1/2	50	1,399	49
1919	80	80	87-1/2	62-1/2	1,461	56
1920	125	100	112-1/2	90	1,794	65
1921	125	90	112-1/2	90	1,652	43
1922	110	83	100	80	1,593	40*

1922 Wage as
percentage of
1913 wage.170

213

182

213

199

133

(* Estimated)

The figures for carpenters, machinists, painters and hod carriers are the minimum union scales given in cents per hour as of May 15 each year, compiled by Bureau of Labor Statistics.

Railroad wages are average annual compensation per employee, excluding all officials, covering the United States. Compiled by Bureau of Railway Economics. The 1922 figure was for March, the latest month available.

Farm labor is the United States average monthly wage without board. Compiled by Bureau of Agricultural Economics.

It appears that farm wages are now about one-third higher than pre-war, and that railroad and industrial wages are about double pre-war.

TREND OF FARMERS' LABOR INCOME

The following annual labor income figures are compiled from surveys made by the U. S. Department of Agriculture in eight representative areas over a long period.

"Labor income" represents what the farmer had left for his year's work after deducting expenses and interest on his invested capital.

<u>Labor Income</u>					
<u>Area</u>	<u>Number Farms</u>	<u>1913</u>	<u>1918</u>	<u>1920</u>	<u>1921</u>
<u>Cotton areas</u>					
Sumter Co., Ga.	268	\$474	\$1,813	\$-364	\$-497
Catawba Co., N. C.	297	87	542	- 60	-219
<u>Dairy</u>					
Hillsboro, Co., N. H.	17	613	952	695	576
Dane Co., Wis.	30	293	1,223	508	-181
<u>Hog & Cattle</u>					
Clinton Co., Ind.	100	256	1,421	-335	-1,002
Tama Co., Iowa	965	306	1,537	-1,396	-2,463
<u>General Livestock</u>					
Washington Co., Ohio	25	110	333	31	-257
<u>Wheat</u>					
Palouse (Wash. & Idaho)	246	709	1,826*	-1,080	-2,197

(* For year 1919)

TREND OF PRODUCTION COSTS

1913 = 100

	Cotton One acre <u>S. Carolina</u>	Wheat One acre <u>Minnesota</u>	Potatoes One acre <u>New York</u>	Milk 100 lbs. <u>Wisconsin</u>	Hogs 100 lbs. <u>Missouri</u>	Cattle 100 lbs. <u>Nebraska</u>
1913	100	100	100	100	100	100
1914	98	105	97	100	89	106
1915	91	113	91	93	101	102
1916	109	113	110	120	120	119
1917	150	154	171	143	121	143
1918	170	182	142	187	189	168
1919	171	203	159	213	187	156
1920	191	212	229	247	106	118
1921	126	140	123	164	70	72

(Cotton \$28.63
(Wheat 11.49
1913 figures used as 100 (Potatoes 61.12
(Milk 1.36
(Hogs 7.22
(Cattle 8.75

(Figures from Section of Crop and Livestock Economics, of this Bureau.)

TRENDS IN AGRICULTURAL STATISTICAL DATA

1909-'13 = 100

Year	Land values	Farm wages	Crop prices	Live- stock prices	Prices crops and live- stock	Crop values per acre	Prices articles farm- ers buy	Crop yield per acre
1899	45	68	--	--	--	57	86	--
1909	93	98	101	95	98	101	97	101
1910	96	95	99	108	103	98	99	101
1911	99	99	101	90	96	97	100	93
1912	103	102	101	98	100	101	102	110
1913	109	105	98	110	105	105	103	95
1914	111	104	101	112	107	103	103	105
1915	123	105	101	104	102	108	112	110
1916	136	114	124	122	123	142	125	97
1917	153	142	198	181	189	209	153	104
1918	167	176	212	211	211	212	188	100
1919	202	207	221	212	217	232	212	102
1920	184	230	208	183	195	148	231	107
1921	156	149	103	117	110	114	181	94

The yearbook of the United States Department of Agriculture for 1921 has just been published.

The above table, taken from this yearbook, shows some significant trends in terms of statistical averages.

EUROPEAN BUYING.

What Professor Warren Says

Dr. G. F. Warren of Cornell went to Europe last year as a representative of the U. S. Department of Agriculture and studied various phases of the economic situation. His reputation as an interpreter of conditions, coupled with unusual opportunity to size up things at first hand, make his observations of especial interest.

We quote the following, received under date of October 21, 1922:

"Formerly European buyers entered strongly into our cash and speculative markets as soon as the crops were ready to move. Now they have great difficulties in financing themselves. They put off buying until the last minute. There is a strong tendency to use the European crops in the early part of the season and buy at the last end of the season just enough to finish out the year. New crops are used at the earliest possible date. The method of operation is not unlike that of a nearly bankrupt farmer who has to buy some grain for feeding. He feeds his own grain first, buys only at the end of the season, and begins to feed his new crops at the earliest possible moment. If there is any carry-over from one year to the next he lets someone else keep it.

"This change means that America must retain ownership of its farm products for a longer time than before the war. This is one way of financing Europe. The market is likely to be weak at harvest time. If when European buying begins, there proves to be a shortage, it makes a strong market at the end of the year.

"Before the war the buyer foresaw his needs and contracted in advance. Supply and demand tended to balance and this tended to steady the market. Now with the delayed buying, the demand is much less certain. It is difficult to foresee at what point supply and demand will find an equilibrium.

"We may expect erratic markets until economic and political conditions become settled. Last year, the writer and Mr. Callander studied the market conditions in Europe and in a report sent to this Country in November indicated the probability of a strong market for wheat in the latter part of the season. I do not have data available as to European needs this year but the presumption is in favor of an improved demand in the spring. Many things can happen between now and spring. Probably the most likely thing is that European Countries

will find some way of financing their most urgent needs. But the difficulty which they have in financing will affect the size of their purchases.

"The financial conditions of Europe continues to be the most disturbing factor in the market situation. Most of the Countries of Europe are continuing to spend more than their incomes. The difference is made up in some cases by borrowing and in other cases by printing paper money. So long as this condition continues it will seriously interfere with the sales of American farm products. Some of the Countries are approaching solvency but many of them are going deeper in debt every day either directly or by inflation. For a long time there has been heavy buying of paper money as a speculation hoping for a great profit if the currency should rise in value. The neutral countries are full of marks and kroners. This form of speculation now seems to be on the decline. Loaning to countries with greatly depreciated currency is also looked upon as very hazardous. The progress made since the war has been very slow. A much more rapid recovery could have been made, but the war formulas and war hates have persisted and have been the chief barrier to rapid recovery. Mental recovery from war delays economic recovery.

"Inflation and deflation cause the most violent shifts in the ownership of property. The great injustices that result are commonly blamed on individuals with whom one deals. These conditions make a very severe test of the political stability of a country. The fear of political changes further checks the desire to loan. The first step towards stability is for the countries to spend less than their incomes, or to get in a position where international bankers see hope for this condition to develop. Until the reparation question is settled in accordance with economic facts there is little hope for improved conditions in Europe.

"The most probable thing is that the question will gradually work toward a settlement and that European conditions will gradually improve but this is not the only possibility."